



Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

December 22, 2010

Re: Docket Number R-1390
Federal Reserve Board's Proposed Changes to Credit Insurance Disclosures under
Reg Z and the Truth-in-Lending Act

Dear Ms. Johnson:

Founders Federal Credit Union (FFCU) appreciates the opportunity to provide comments on the Federal Reserve Board's Regulation Z proposal. Specifically, we are concerned about the proposed provisions to change the timing, format, and content disclosures for voluntary credit insurance premiums and debt cancellation/suspension products. Furthermore, we do not agree with the inclusion of voluntary fees and premiums in the annual percentage rate.

FFCU has always supported fair, accurate, and appropriate disclosures for members who purchase payment protection products. By regulation, we are already required to provide certain disclosures, including, "this product is optional", and premiums for the initial term of insurance coverage. We also provide specific information which outlines definitions, protected events, exclusions and a question and answer section for general provisions of the plan. Our flexible plan allows members up to six months to file a claim after a protected event occurs and full credit of any fees charged if members terminate the plan within 30 days of protection.

Payment protection insurance is a legitimate product meeting a very specific need for many borrowers and is a valuable service that benefits our members while at the same time protects FFCU from potential losses when our members encounter unexpected events. Over the years, our members have been able to utilize this cost-effective product to avoid severe financial difficulties.

The proposed model form H-17 (B) disclosure, which *only* addresses credit life, does not accurately reflect the product that is being provided to our members. We believe the form misrepresents the purpose and value of payment protection products and would have the effect of discouraging members from purchasing these products.

The inclusion of statements such as "Stop", "Other types of insurance can give you similar benefits and are often less expensive" and "If you already have insurance... you may not need this product", will effectively warn our members away from a product that offers tangible benefits which could potentially be very valuable to them. Our members may not qualify or be able to

afford the "other types of insurance" given the lengthy application process and costly (depending on the term, and the member's health, age, etc.) premiums associated with such products like term life insurance. However, for a low monthly cost, which decreases as the outstanding balance decreases, our members can easily and conveniently obtain just enough life insurance to cover their loans, even if they have health issues and regardless of their occupation, smoking status, or recreational interests.

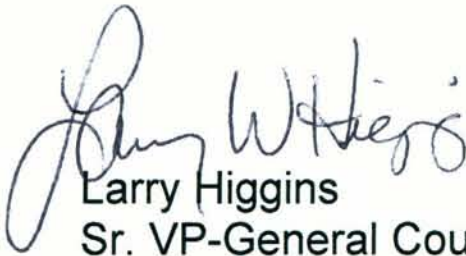
The statement, "You may not receive any benefits even if you buy this product," should be removed. Like other insurance products (car, fire, theft, homeowner, flood, etc), the immediate benefit is peace of mind. They are intended as safety nets- we hope we never need them but take comfort in knowing that they are there to protect us or our family in the event something should happen.

Members often times find it difficult to understand the reason why their APR is higher than the rate of interest on the note and which costs are included in the effective APR calculation. Including the payment protection premiums and fees in the APR, as proposed, will make it even more difficult for our members to understand how the APR is calculated. The clear and conspicuous disclosures, with the consistent and objective format to compare costs, relate specifically to contractual terms and conditions of a *loan*. However, payment protection products are unrelated to the cost of borrowing since it is an *optional* product and *not* a required component of the loan transaction. Directing exactly how to disclose insurance and protection offerings that are voluntary is, in our opinion, outside the scope of TILA or Regulation Z.

In closing, the proposed disclosures will impact all open end and closed end consumer loans, including auto loans, home equity loans, lines of credit and mortgage loans in which payment protection products are offered. This in turn, will have a negative impact on the credit unions that make these loans, as well as the members who could benefit from the purchase of these products. Although some amendments to payment protection disclosures may be warranted, this proposal only serves to hinder the purchase of these products, harm members who benefit from and would like to purchase these products, and place credit unions at increased risk for lost fee income and loan loss.

We strongly urge you to reconsider this proposal and propose fair and balanced disclosures for payment protection products.

Sincerely,


Larry Higgins
Sr. VP-General Counsel